

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**BOARD OF ADMINISTRATION**

**INVESTMENT COMMITTEE**

**August 18, 2008**

**Chief Investment Officer's**

**Consolidated Investment Activity Report**

**(June 2008 Reporting Period)**

## Market Environment – June 30, 2008

### General Market Commentary

June was a turbulent month for equity markets around the globe as uncertainty continued. Central banks, including the US Federal Reserve, held rates steady during the month. Inflation concerns persisted as food and energy prices continued to rise. Crude oil prices again reached a record high, ending the month at \$140 per barrel.

### Domestic and International Equities

Within the US equity markets, the S&P 500 returned -8.43% for the month of June. Small-cap stocks, as measured by the Russell 2000 Index, were down -7.70%. Growth stocks outperformed their value counterparts for the month, returning -7.20% versus value's return of -9.57% (as measured by the Russell 1000 Growth and Value). International equities declined in June, with the MSCI EAFE down -8.16% in dollar terms (down -8.87% in local currency). Emerging markets returned -9.96% (as measured by the MSCI EM Index).

### Domestic and International Fixed Income

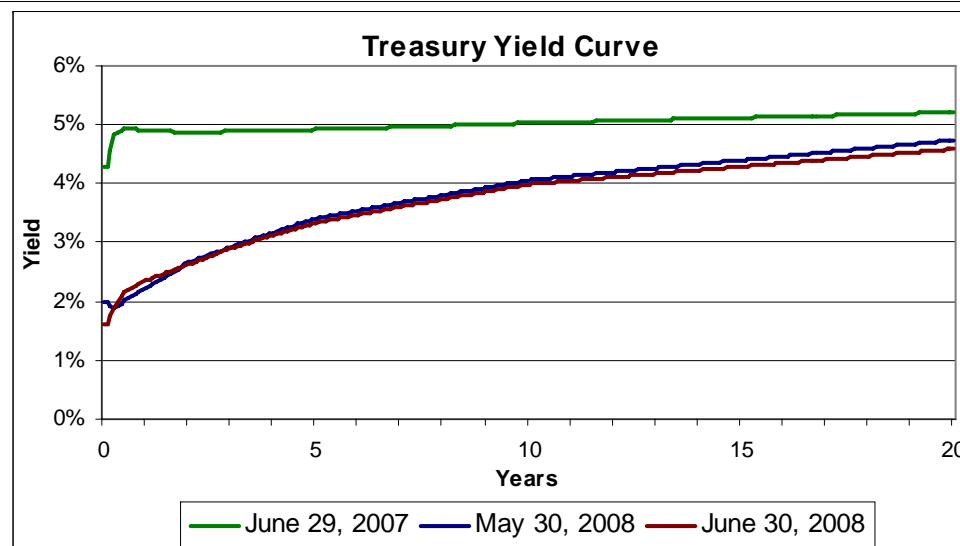
The Lehman Brothers Aggregate Bond Index returned -0.08% for June, underperforming US Treasuries' return of 0.55% (as measured by LB Treasury Intermediate Term Index). US TIPS were up 1.53% (LB US TIPS) during June. The high yield bond market returned -2.68% during the month, as measured by the Merrill Lynch High Yield Master II Index. International fixed income markets returned 0.36%, as measured by the Citigroup World Government Bond Index ex US (unhedged).

### Real Estate

Real estate (as measured by the MSCI US REIT Index) was negative for the month, down -10.96% in June. The NCREIF Index of Real Estate Properties returned a positive 1.60% for the quarter ended March 2008.

### Private Equity and Absolute Return Strategies

The Venture Economics All Private Equity Index returned 22.30% for the 12 months ended December 2007 and 14.68% for the 10 years ended December 2007. Absolute Return Strategies (CSFB/Tremont Hedge Fund Index) returned 0.00% in June and 4.10% for the 12 months ended June 2008.



MARKET INDICATORS	6/29/2007	Direction	5/30/2008	Direction	6/30/2008
1m LIBOR (fixed in \$)	5.32%	▼	2.46%	▲	2.46%
Federal Funds	5.25%	▼	2.00%	—	2.00%
10Y Treasury Note Yield	5.03%	▼	4.05%	▼	3.98%
30Y Treasury Bond Yield	5.13%	▼	4.71%	▼	4.53%
DJ-Wilshire 5000 Comp	15,163.10	▼	14,193.69	▼	13,016.38
S&P 500	1,503.35	▼	1,400.38	▼	1,280.00
NASDAQ Composite	2,603.23	▼	2,522.66	▼	2,292.98
FTSE 100 Index	6,607.90	▼	6,053.50	▼	5,625.90
Nikkei 225 Index	18,138.36	▼	14,338.54	▼	13,481.38
Yen/\$ (Dollar Strength)	123.390	▼	105.460	▲	106.170
Euro/\$ (Dollar Strength)	0.740	▼	0.643	▼	0.635
GBP/\$ (Dollar Strength)	0.498	▲	0.505	▼	0.502
Crude Oil per Barrel	\$ 70.68	▲	\$ 127.35	▲	\$ 140.00
Gold (\$/oz Daily Spot)	\$ 650.50	▲	\$ 885.75	▲	\$ 930.25
GS Commodities Index	\$ 489.15	▲	\$ 786.58	▲	\$ 862.81

## CalPERS Asset Allocation – June 30, 2008

### Summary

- Total Fund Market Value was \$239.2 Billion
- Total Fund Book Value was \$205.5 Billion
- All Asset Classes are within their permissible ranges relative to target ranges and strategic target levels.

### Book to Market Value Comparison

	Book Value (\$ Billion)	Market Value (\$ Billion)	Effective Market Value (\$ Billion)	Difference (Market – Book) (\$ Billion)
Domestic Equity <sup>1</sup>	\$49.3	\$71.7	\$72.7	\$22.4
International Equity	\$49.1	\$52.5	\$53.8	\$3.4
<b>Global Equity</b>	<b>\$98.3</b>	<b>\$124.2</b>	<b>\$126.5</b>	<b>\$25.9</b>
Domestic Fixed Income	\$50.7	\$54.2	\$54.2	\$3.4
International Fixed Income	\$4.7	\$4.9	\$4.9	\$0.2
<b>Global Fixed Income</b>	<b>\$55.5</b>	<b>\$59.1</b>	<b>\$59.1</b>	<b>\$3.6</b>
<b>AIM</b>	<b>\$23.7</b>	<b>\$24.8</b>	<b>\$24.8</b>	<b>\$1.1</b>
<b>Real Estate</b>	<b>\$20.8</b>	<b>\$23.6</b>	<b>\$23.6</b>	<b>\$2.8</b>
<b>Inflation Linked</b>	<b>\$4.3</b>	<b>\$4.7</b>	<b>\$4.7</b>	<b>\$0.4</b>
<b>Cash Equivalents</b>	<b>\$2.8</b>	<b>\$2.9</b>	<b>\$0.6</b>	<b>\$0.0</b>
<b>Total Fund</b>	<b>\$205.5</b>	<b>\$239.2</b>	<b>\$239.2</b>	<b>\$33.7</b>

<sup>1</sup> Included is MDP Investment - LM Capital Investment: Total Book Value=\$205.7 million, Total Market Value=\$205.2 million.

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values. When summing net amounts on this report, there may be breakage.

### Top Company Exposures

- As a very significant institutional investor, CalPERS has large exposures to the securities of many corporations either through internal or externally managed portfolios. Consistent with board requested information and in support of the Board of Administration's oversight role, a schedule of the top 20 company exposures is prepared for informational purposes and can be found on Page 4.

## CalPERS Total Fund Top 20 Company Exposures

Based on Total Market Values as of 6/30/2008

Company Name	Equity Exposure		Externally Managed Active	Total Equity Market Value	Fixed Income Exposure			Total FI Market Value	Real Estate Exposure (1)	TOTAL Market Value	% of Total Fund(3)
	Internally Managed Active	Passive			Internal	External	Sec. Lending(2)				
GENERAL ELECTRIC	159,063,886	767,782,689	116,761,677	1,043,608,252	575,060,154	20,634,720	693,028,258	1,288,723,132		2,332,331,384	0.69%
EXXON MOBIL CORP	256,503,951	1,402,483,282	227,873,335	1,886,860,568				0		1,886,860,568	0.79%
CITIGROUP INC	39,510,963	254,383,280	57,554,276	351,448,519	509,160,317	16,200,063	266,884,475	792,244,855		1,143,693,374	0.37%
JPMORGAN CHASE & CO	59,983,521	334,914,212	78,741,587	473,639,320	535,462,484	46,013,291		581,475,775	42,279,000	1,097,394,095	0.46%
BERKSHIRE HATHAWAY	190,515,640	549,654,000	724,500	740,894,140	352,908,074			352,908,074		1,093,802,214	0.46%
WAL MART STORES INC	156,776,981	668,605,780	90,228,613	915,611,374	158,786,460			158,786,460		1,074,397,834	0.45%
BANK OF AMERICA CORP	44,717,986	310,708,629	58,636,225	414,062,840	574,451,197	24,702,937		599,154,134		1,013,216,974	0.42%
MICROSOFT CORP	108,374,462	762,453,405	130,500,590	1,001,328,457				0		1,001,328,457	0.42%
CHEVRONTXACO CORP	130,240,563	616,529,122	143,453,600	890,223,285				0		890,223,285	0.37%
AT&T INC	114,518,206	600,261,468	128,774,466	843,554,140				0		843,554,140	0.35%
ROYAL DUTCH SHELL		565,879,261	241,430,473	807,309,734				0		807,309,734	0.34%
CONOCOPHILLIPS	87,017,480	429,173,585	77,380,639	593,571,704	206,731,121			206,731,121		800,302,825	0.33%
PROCTER + GAMBLE CO	96,330,702	559,464,162	71,411,737	727,206,601				0		727,206,601	0.30%
AMERICAN INTL GROUP INC	30,018,103	199,939,698	27,128,909	257,086,710	346,602,893	2,635,148	100,046,000	449,284,041		706,370,751	0.25%
VERIZON COMMUNICATIONS INC.	32,800,082	295,395,300	50,164,030	378,359,412	302,736,148	2,724,320		305,460,468		683,819,880	0.29%
JOHNSON + JOHNSON	79,624,031	544,663,836	58,114,076	682,401,943				0		682,401,943	0.29%
GOOGLE INC	114,704,286	492,150,058	74,452,633	681,306,977				0		681,306,977	0.28%
HSBC HOLDINGS PLC		407,385,776	120,388,146	527,773,922	122,761,874	9,635,849		132,397,723		660,171,645	0.28%
INTERNATIONAL BUSINESS MACHINES	72,374,181	471,168,603	103,719,795	647,262,579	796,000	7,249,292		8,045,292		655,307,871	0.27%
ENI	179,234,566	228,371,385	227,032,609	634,638,560				0		634,638,560	0.27%

(1) Real Estate exposure data only includes the 20 companies with the highest annual lease revenues for each core partnership, excludes properties in escrow. The market value exposures are calculated based only on two years of expected lease revenues.

(2) Does not include Repos

(3) Excludes securities lending exposure

# CalPERS

## Asset Allocation as of June 30, 2008

Total Fund Market Value: **\$239,232,557,290**

	Global Equity	Domestic Equity	International Equity	Global Fixed	Domestic Fixed	International Fixed	AIM	Real Estate	Inflation Linked <sup>5</sup>	Cash <sup>1</sup>	Total Fund
<b>Strategic Target Range %</b>	<b>51-61%</b>			<b>14-24%</b>			<b>7-13%</b>	<b>7-13%</b>	<b>0-5%</b>		
Strategic Target %	56.0%	28.0%	28.0%	19.0%	17.0%	2.0%	10.0%	10.0%	5.0%	0.0%	N/A
Cash Market Investment %	51.9%	30.0%	22.0%	24.7%	22.6%	2.1%	10.3%	9.9%	2.0%	1.2%	N/A
Tactical Overlay % <sup>4</sup>	0.9%	0.4%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(0.9%)	N/A
Effective Investment %	52.9%	30.4%	22.5%	24.7%	22.6%	2.1%	10.3%	9.9%	2.0%	0.2%	N/A
<b>Variance % (Strategic vs. Effective)</b>	<b>(3.1%)</b>	<b>2.4%</b>	<b>(5.5%)</b>	<b>5.7%</b>	<b>5.6%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>(0.1%)</b>	<b>(3.0%)</b>	<b>0.2%</b>	N/A
Strategic Target \$ <sup>2,3</sup>	\$134.0	\$67.0	\$67.0	\$45.5	\$40.7	\$4.8	\$23.9	\$23.9	\$12.0	\$0.0	\$239.2
Cash Market Investment \$ <sup>2</sup>	\$124.2	\$71.7	\$52.5	\$59.1	\$54.2	\$4.9	\$24.8	\$23.6	\$4.7	\$2.9	\$239.2
Tactical Overlay \$ <sup>2,4</sup>	\$2.3	\$1.0	\$1.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$2.3)	N/A
Effective Investment \$ <sup>2,3</sup>	\$126.5	\$72.7	\$53.8	\$59.1	\$54.2	\$4.9	\$24.8	\$23.6	\$4.7	\$0.6	\$239.2
<b>Variance \$ (Strategic vs. Effective) <sup>2,3</sup></b>	<b>(\$7.5)</b>	<b>\$5.7</b>	<b>(\$13.2)</b>	<b>\$13.7</b>	<b>\$13.5</b>	<b>\$0.2</b>	<b>\$0.8</b>	<b>(\$0.3)</b>	<b>(\$7.3)</b>	<b>\$0.6</b>	N/A
% Passive	63.8%	67.2%	59.2%	0.0%	0.0%	0.0%	0.0%	4.1%	0.0%	0.0%	33.1%
% Active	36.2%	32.8%	40.8%	100.0%	100.0%	100.0%	100.0%	95.9%	100.0%	100.0%	66.9%
% Internal	71.5%	76.5%	64.6%	91.6%	100.0%	0.0%	0.0%	4.1%	63.8%	100.0%	62.6%
% External	28.5%	23.5%	35.4%	8.4%	0.0%	100.0%	100.0%	95.9%	36.2%	0.0%	37.4%

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values.

\* When summing amounts on this report, there may be breakage.

\* MDP Venture accounts included in MDP's primary asset class. MDP Fixed and CalPERS Hedge Fund roll to External Domestic Equity.

<sup>1</sup> Cash includes SMIF at STO.

<sup>2</sup> (\$ Billion)

<sup>3</sup> Based upon Trade Date Accounting as recommended by CFA Institute GIPS Standards.

<sup>4</sup> Approximately \$2.3 Billion notional in Equity Futures were purchased to equitize cash.

<sup>5</sup> Commodities plus collateral: \$1,475,210,383

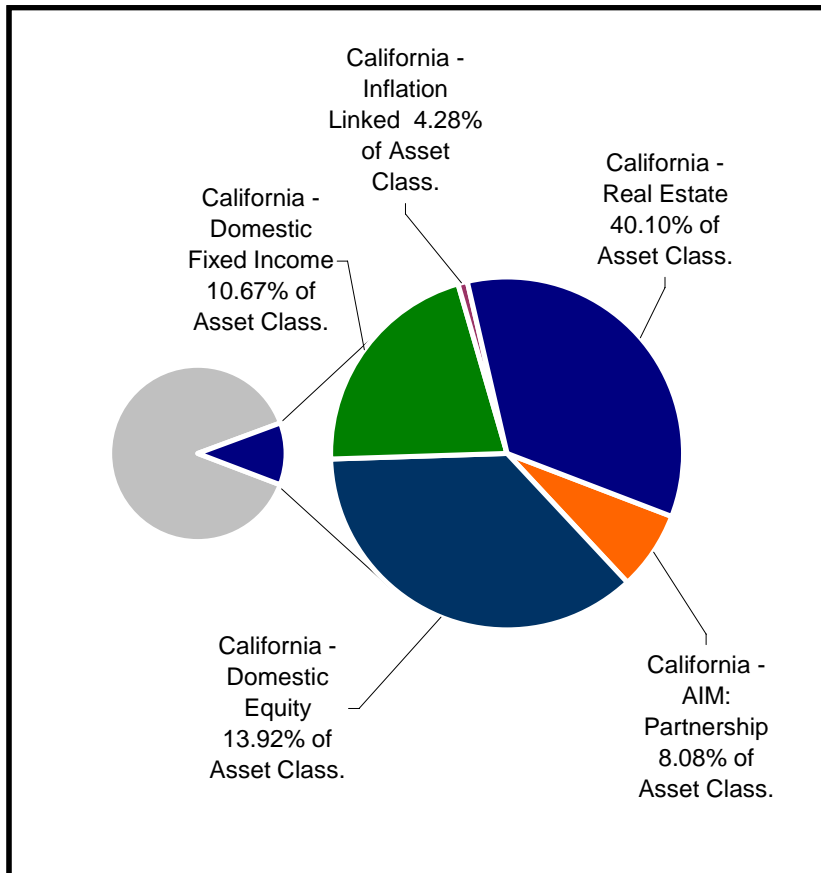
Private Market Commitment as of June 30, 2008									
AIM				Real Estate					
Funded	\$(in Billions)	% Allocation	Target Range	Funded	\$(in Billions)	% Allocation	Target Range		
Fair Market Value (FMV)	\$24.75	10.35%	7-13%	Fair Market Value (FMV)	\$23.64	9.88%	7-13%		
Unfunded Commitment	<u>\$26.90</u>	<u>11.24%</u>		Unfunded Commitment (as of 5/31/08)	<u>\$14.78</u>	<u>6.18%</u>			
<b>Fair Market Value plus Unfunded Commitment</b>	<b>\$51.65</b>	<b>21.59%</b>		<b>Fair Market Value plus Unfunded Commitment</b>	<b>\$38.42</b>	<b>16.06%</b>			
Infrastructure				Forestland					
Funded	\$(in Billions)	% Allocation	Target Range	Funded	\$(in Billions)	% Allocation	Target Range		
Fair Market Value (FMV)	\$ .10	0.04%	0-0.6%	Fair Market Value (FMV)	\$1.61	0.67%	0-0.5%		
Unfunded Commitment (as of 5/31/08)	<u>\$ .30</u>	<u>0.13%</u>		Unfunded Commitment (as of 5/31/08)	<u>\$ .18</u>	<u>0.07%</u>			
<b>Fair Market Value plus Unfunded Commitment</b>	<b>\$ .40</b>	<b>0.17%</b>		<b>Fair Market Value plus Unfunded Commitment</b>	<b>\$1.78</b>	<b>0.75%</b>			

## CalPERS Investments in the State of California – June 30, 2008

The State of California offers CalPERS a number of attractive investment opportunities. The following charts summarize the investments by asset class as of the date of this report. A detailed report on California investments is available in the supplemental reporting document.

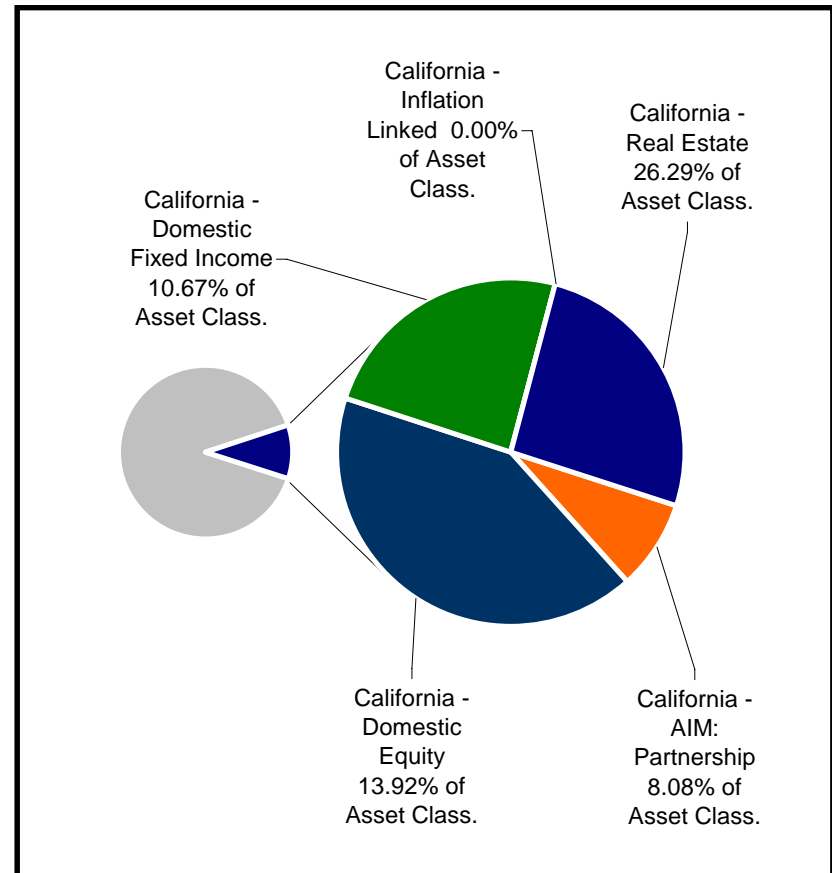
### California Investments plus Additional Commitments

Current California Commitments at 6/30/2008 Total Fund %: 11.47%



### California Investments

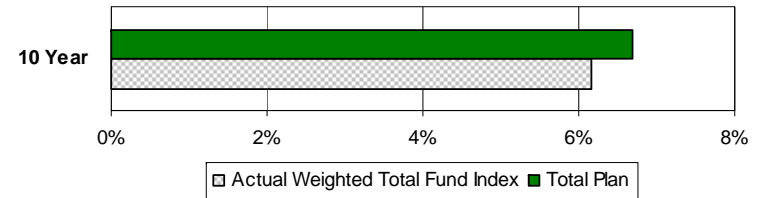
Current California Investments at 6/30/2008 Total Fund %: 10.02%



## Performance Summary – June 30, 2008

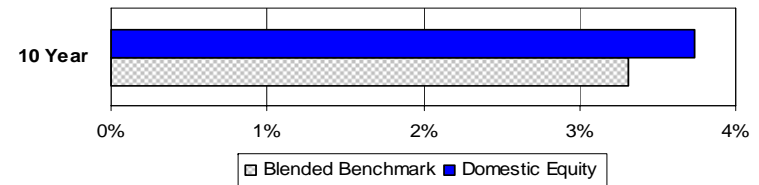
### Total Plan:

Net Total Fund returns have outperformed the Actual Weighted Total Fund Index during the, fiscal year-to-date, one-, three-, five-, and ten-year time periods. It has underperformed during the one month and quarter periods. Ten-year net returns were 6.68% versus 6.17% for the actual weighted index.



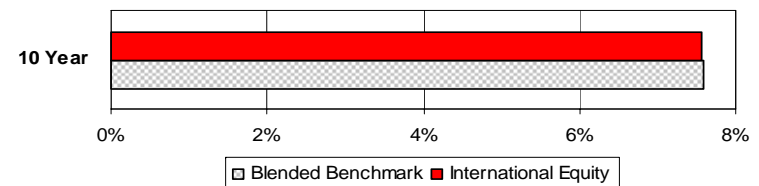
### Domestic Equity:

Net Domestic Equity returns have outperformed the Blended Index in all time periods except the fiscal year-to-date, one-, three-, and five-year periods. Ten-year net returns were 3.69% versus 3.31% for the blended benchmark.



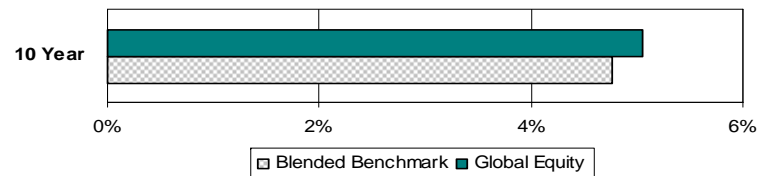
### International Equity:

Net International Equity underperformed its benchmark in all time periods except the one month and quarter period. Ten-year net returns were 7.56% versus the 7.59% blended benchmark return.



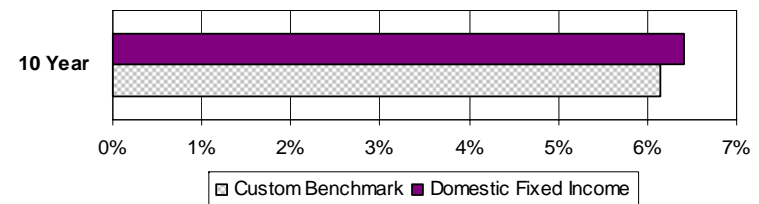
### Global Equity:

Net Total Global Equity underperformed its benchmark in the fiscal year-to-date, one- and three-year time periods. It outperformed the index in the one month, quarter, five- and ten-year periods. Ten-year net returns were 5.06% versus the 4.76% blended benchmark return.



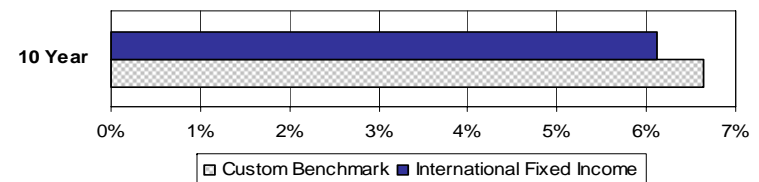
### Domestic Fixed Income:

Net Domestic Fixed Income returns have exceeded the benchmark in the three-, five-, and ten-year periods, but have underperformed in the one month, quarter, fiscal year-to-date and one-year periods. Ten-year net returns were 6.41% versus 6.15% for the benchmark.



### International Fixed Income:

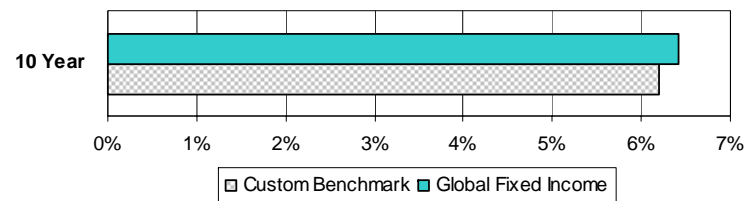
Net International Fixed Income returns have outperformed the benchmark in the quarter, fiscal year-to-date, one- and five-year periods. It underperformed in the one month, three-, and ten-year time periods. Ten-year net returns were 6.11% versus 6.63% for the benchmark.



## Performance Summary – June 30, 2008

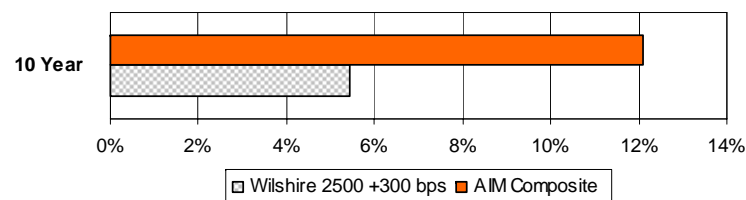
### Global Fixed Income:

Net Global Fixed Income returns have exceeded the benchmark in the three-, five-, and ten-year periods, but have underperformed in the one month, quarter, fiscal year-to-date and one-year periods. Ten-year net returns were 6.41% versus 6.19% for the benchmark.



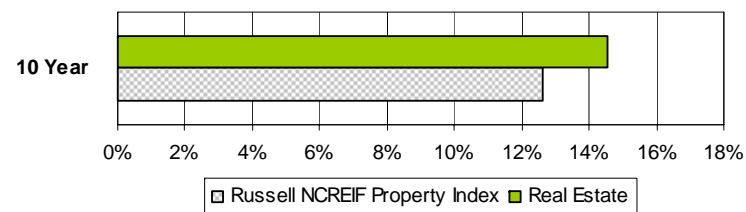
### AIM Composite:

Net returns for the AIM Composite portfolio have exceeded the custom blended benchmark in all time periods except for the one month and quarter period. Ten-year net returns for the AIM Composite were 12.10% exceeding the ten-year custom blended benchmark return of 5.45%.



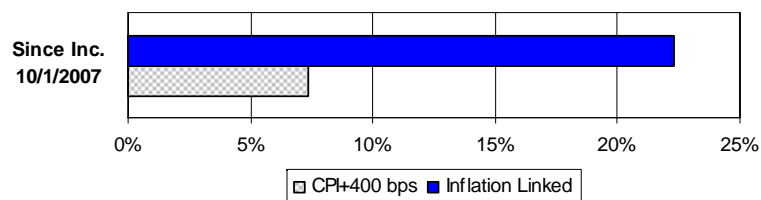
### Real Estate:

Net returns for the Total Real Estate Portfolio have underperformed during the one month, quarter, fiscal year-to-date and one year time periods. It has outperformed the index in the three-, five-, and ten-year periods. Ten-year net returns were 14.54% versus 12.63% for the benchmark.



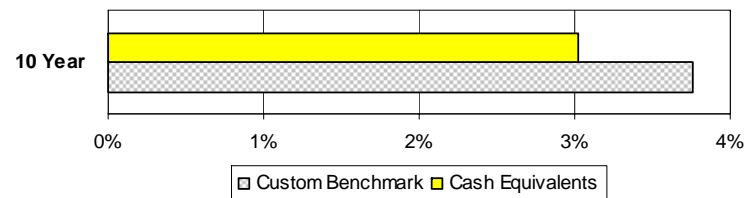
### Inflation Linked:

Net returns for the Inflation Linked portfolio have exceeded the benchmark in the one month, quarter and since inception time periods. Since inception net returns were 22.30% versus 7.50% for the benchmark.



### Cash Equivalents:

Net returns for the Cash Equivalents portfolio have underperformed the benchmark in all time periods. Ten-year net returns were 3.02% versus 3.76% for the custom benchmark.





# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending June 30, 2008

## CIO SUMMARY REPORT - GROSS

	% of Plan	MKT VAL \$(000's)	1 MO	QTR	FYTD	1 YR	3 YRS	5 YRS	10 YRS
<b>TOTAL DOMESTIC EQUITY</b>	30.0	71,854,552	-7.76	-1.24	-12.42	-12.42	4.99	8.52	3.73
<i>WILSHIRE 2500 EX TOBACCO (BLENDED)</i>			-8.16	-1.45	-11.99	-11.99	5.05	8.50	3.31
<b>TOTAL INTL EQUITY</b>	21.9	52,508,615	-7.98	-1.06	-7.76	-7.76	15.25	18.78	7.62
<i>CALPERS FTSE ALL-WORLD EX US</i>			-8.47	-1.33	-6.63	-6.63	15.86	19.08	7.59
<b>TOTAL GLOBAL EQUITY</b>	51.8	123,854,576	-7.85	-1.15	-10.66	-10.66	8.59	12.05	5.10
<i>TOTAL GLOBAL EQ EX AIM BENCHMARK</i>			-8.26	-1.41	-10.15	-10.15	8.62	11.96	4.76
<b>TOTAL DOMESTIC FIXED INCOME</b>	22.6	54,164,259	-0.20	-1.25	6.47	6.47	4.11	4.90	6.42
<i>CALPERS CUSTOM LEH LPF (DAILY)</i>			0.15	-1.17	7.81	7.81	3.63	4.21	6.15
<b>TOTAL INTL FIXED INCOME</b>	2.1	4,940,655	0.22	-4.41	17.71	17.71	6.32	7.07	6.18
<i>CALPERS WORLD GOVT X US</i>			0.25	-4.67	17.49	17.49	6.50	6.99	6.63
<b>TOTAL GLOBAL FIXED INCOME</b>	24.7	59,107,580	-0.17	-1.54	7.70	7.70	4.36	5.23	6.42
<i>CALPERS TOTAL GBL FIXED INCOME POLICY</i>			0.16	-1.45	8.76	8.76	3.92	4.52	6.19
<b>TOTAL AIM COMPOSITE</b>	10.3	24,750,426	-0.54	1.79	19.56	19.56	20.64	19.42	12.11
<i>CUSTOM YOUNG FUND</i>			1.45	4.41	18.98	18.98	18.60	16.33	5.45
<b>TOTAL REAL ESTATE</b>	9.9	23,616,157	0.19	0.54	8.12	8.12	21.70	23.32	17.17
<i>NCREIF PROPERTY 1 QTR LAG (DAILY)</i>			1.60	1.60	13.58	13.58	16.75	15.07	12.63
<b>TOTAL INFLATION LINKED</b>	2.0	4,677,385	5.34	10.08					
<i>CPI + 400 BPS</i>			1.30	3.40					
<b>TOTAL CASH EQUIVALENTS</b>	1.2	2,831,789	-7.78	-3.57	-9.32	-9.32	1.28	1.44	3.02
<i>PERS CUSTOM STIF NET OF FEES</i>			0.21	0.64	4.18	4.18	4.60	3.35	3.76
<b>TOTAL FUND</b>	100.0	239,232,557	-4.41	-0.67	-2.41	-2.41	9.28	11.40	6.87
<i>CALPERS POLICY INDEX</i>			-4.32	-0.41	-1.63	-1.63	8.70	10.52	6.14
<i>ACTUAL WEIGHTED TOTAL FUND INDEX</i>			-4.28	-0.61	-2.83	-2.83	8.48	10.48	6.17

Equity (SH4KA1, SHAKA1, SWZLA1); Fixed Income (SJDKA1, SJDCA1, SJEKA1)

AIM (SJA1M); Real Estate 1 QTR Lagged (SJRKA1)

Inflation Linked (SX2CA1); Cash Equivalents (SJVKE1); Total Fund (SJ1CA1)

Currency Overlay is not included in Global Equity. CPI return is estimated.

# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending June 30, 2008

## CIO SUMMARY REPORT - NET

	% of Plan	MKT VAL \$(000's)	1 MO	QTR	FYTD	1 YR	3 YRS	5 YRS	10 YRS
<b>TOTAL DOMESTIC EQUITY</b>	30.0	71,854,552	-7.76	-1.24	-12.46	-12.46	4.93	8.47	3.69
<i>WILSHIRE 2500 EX TOBACCO (BLENDED)</i>			-8.16	-1.45	-11.99	-11.99	5.05	8.50	3.31
<b>TOTAL INTL EQUITY</b>	21.9	52,508,615	-7.98	-1.07	-7.82	-7.82	15.18	18.70	7.56
<i>CALPERS FTSE ALL-WORLD EX US</i>			-8.47	-1.33	-6.63	-6.63	15.86	19.08	7.59
<b>TOTAL GLOBAL EQUITY</b>	51.8	123,854,576	-7.85	-1.16	-10.71	-10.71	8.53	12.00	5.06
<i>TOTAL GLOBAL EQ EX AIM BENCHMARK</i>			-8.26	-1.41	-10.15	-10.15	8.62	11.96	4.76
<b>TOTAL DOMESTIC FIXED INCOME</b>	22.6	54,164,259	-0.20	-1.25	6.47	6.47	4.11	4.89	6.41
<i>CALPERS CUSTOM LEH LPF (DAILY)</i>			0.15	-1.17	7.81	7.81	3.63	4.21	6.15
<b>TOTAL INTL FIXED INCOME</b>	2.1	4,940,655	0.21	-4.42	17.63	17.63	6.25	7.00	6.11
<i>CALPERS WORLD GOVT X US</i>			0.25	-4.67	17.49	17.49	6.50	6.99	6.63
<b>TOTAL GLOBAL FIXED INCOME</b>	24.7	59,107,580	-0.17	-1.54	7.70	7.70	4.35	5.21	6.41
<i>CALPERS TOTAL GBL FIXED INCOME POLICY</i>			0.16	-1.45	8.76	8.76	3.92	4.52	6.19
<b>TOTAL AIM COMPOSITE</b>	10.3	24,750,426	-0.54	1.79	19.55	19.55	20.62	19.41	12.10
<i>CUSTOM YOUNG FUND</i>			1.45	4.41	18.98	18.98	18.60	16.33	5.45
<b>TOTAL REAL ESTATE</b>	9.9	23,616,157	-0.17	0.18	5.85	5.85	17.71	19.12	14.54
<i>NCREIF PROPERTY 1 QTR LAG (DAILY)</i>			1.60	1.60	13.58	13.58	16.75	15.07	12.63
<b>TOTAL INFLATION LINKED</b>	2.0	4,677,385	5.30	10.04					
<i>CPI + 400 BPS</i>			1.30	3.40					
<b>TOTAL CASH EQUIVALENTS</b>	1.2	2,831,789	-7.78	-3.57	-9.32	-9.32	1.28	1.44	3.02
<i>PERS CUSTOM STIF NET OF FEES</i>			0.21	0.64	4.18	4.18	4.60	3.35	3.76
<b>TOTAL FUND</b>	100.0	239,232,557	-4.44	-0.70	-2.62	-2.62	9.00	11.11	6.68
<i>CALPERS POLICY INDEX</i>			-4.32	-0.41	-1.63	-1.63	8.70	10.52	6.14
<i>ACTUAL WEIGHTED TOTAL FUND INDEX</i>			-4.28	-0.61	-2.83	-2.83	8.48	10.48	6.17

Equity (SH4KA1, SHAKA1, SWZLA1); Fixed Income (SJDKA1, SJDCA1, SJEKA1)

AIM (SJA1M); Real Estate 1 QTR Lagged (SJRKA1)

Inflation Linked (SX2CA1); Cash Equivalents (SJVKE1); Total Fund (SJ1CA1)

Currency Overlay is not included in Global Equity. CPI return is estimated.

## Operations/Activity Reports

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### Closed Session Transactions

- There were zero (0) closed session transactions reported to the Board in Open Session per the requirements of California Government Code Section 20191.5 and the current CalPERS Board of Administration Statement of Policy & Procedures for Closed Sessions.

### Activity Reports

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- Staff prepares activity reports for the AIM, Real Estate, Risk Managed Absolute Return Strategies, Corporate Governance and Inflation Linked Asset Class Programs. Detailed reports and investment summaries for these programs are included in the supplemental reporting document.

#### AIM Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception
Investment Proposals Entered	30	316	300	443	180	7,221
Declined/Referred/Failed to Materialize	10	429	268	389	169	5,902
Deals in Screening	35	319	300	443	180	4,254
Due Diligence Reviews	14	59	61	76	18	763

#### Real Estate Investments Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception *
Investment Proposals Entered	15	N/A	N/A	N/A	112	112
Declined/Referred/Failed to Materialize	16	N/A	N/A	N/A	98	98
Deals in Screening	10	N/A	N/A	N/A	12	12
Due Diligence Reviews	3	N/A	N/A	N/A	3	3
* As of January 2, 2008						

#### Risk Managed Absolute Return Strategies Program Activity Report

Activity	Month	2005	2006	2007	2008	Since Inception
Investment Proposals Entered	9	59	69	90	57	773
Declined/Referred/Failed to Materialize	0	7	1	0	0	243
Deals in Screening	9	58	68	90	57	518
Due Diligence Reviews	9	58	68	90	57	518
Allocations Approved by RMARS Board	0	18	52	66	19	194
New ARD Funds Approved by RMARS Board	1	7	9	8	2	43
Funded Investments (\$ Millions)	\$100	\$783	\$1,809	\$2,499	\$734	\$6,554

#### Corporate Governance Activity Report

Activity	Month	2005	2006	2007	2008 YTD*	Since Inception *
Investment Proposals Entered	0	N/A	N/A	N/A	4	4
Declined/Referred/Failed to Materialize	0	N/A	N/A	N/A	5	3
Deals in Screening	1	N/A	N/A	N/A	10	10
Due Diligence Reviews	10	N/A	N/A	N/A	11	11
* As of April 1, 2008						

## Operations/Activity Reports

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### Activity Reports (cont.)

#### Inflation Linked Asset Class Activity Report

Activity	Month	2005	2006	2007	2008 YTD	Since Inception
Investment Proposals Entered	10	N/A	N/A	N/A	58	58
Declined/Referred/Failed to Materialize	1	N/A	N/A	N/A	8	8
Deals in Screening	1	N/A	N/A	N/A	7	7
Due Diligence Reviews	0	N/A	N/A	N/A	2	2

## Quarterly Reports

According to policy requirements, the following is summary information extracted from the quarterly and semi-annual report(s) prepared for Investment Committee consideration. Executive Summaries and Full Reports are available in the supplemental reporting document.

### AIM Program Quarterly Report:

#### Portfolio Summary

- As of March 31, 2008, the AIM Program had a total exposure of \$47.8 billion. Total exposure is the current reported value of investments plus the remaining amount of unfunded commitments.
- Since inception, the AIM Program has made contributions of \$34.8 billion, received distributions of \$24.5 billion and has a remaining reported value of \$23.1 billion. Of the \$24.5 billion in distributions, \$13.7 billion represents realized gains, income and dividends.

#### SUMMARY OF AIM PORTFOLIO SINCE INCEPTION (MARCH 1990) THROUGH MARCH 31, 2008 (US\$ IN MILLIONS)

	Capital Contributed <sup>(3)</sup>	Distributions		Reported Value <sup>(5)</sup>	Investment Multiple
		Return of Capital	Realized Gain <sup>(4)</sup>		
<b>Total Active Commitments<sup>(1)</sup></b>	<b>\$30,875.7</b>	<b>\$8,016.8</b>	<b>\$11,036.3</b>	<b>\$23,117.7</b>	<b>1.4x</b>
<b>Total Exited Commitments<sup>(2)</sup></b>	<b>\$3,921.6</b>	<b>\$2,828.6</b>	<b>\$2,651.3</b>	<b>--</b>	<b>1.4x</b>

<sup>(1)</sup> An active commitment refers to an investment that has not reached the end of its legal term.

<sup>(2)</sup> An exited commitment is defined as a commitment that has ended in accordance with the terms of the partnership agreement.

<sup>(3)</sup> Includes fees in excess of committed capital.

<sup>(4)</sup> Realized gains include interest, dividends, gains and losses distributed by the general partners in addition to interest paid by CalPERS for participation in subsequent closings of certain investments.

<sup>(5)</sup> Based on values reported by the general partners as of March 31, 2008.

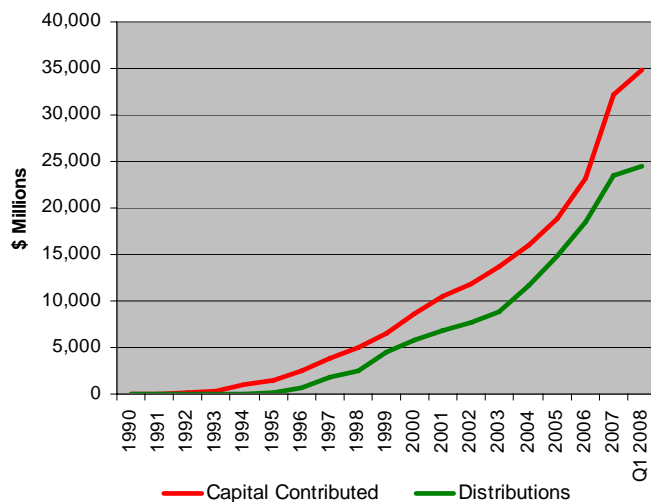
## Quarterly Reports

### AIM Program Quarterly Report (cont.)

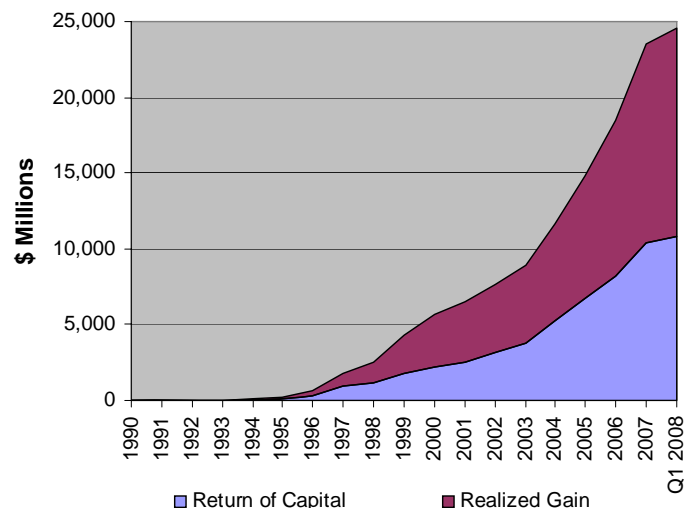
#### Performance

- Since inception to March 31, 2008, the AIM Program generated a net IRR of 13.6%. At March 31, 2008, the public market ten-year rolling average return for the CalPERS' Custom Wilshire 2500 Index plus 300 basis points was 9.1%.
- As of March 31, 2008, the weighted average age of all of the current investments in the AIM portfolio was 3.3 years. Consequently, a large portion of the portfolio is in the early stage of its investment life, when payment of fees has not been offset by young investments that are held at cost. This is known as the J-Curve effect.
- To address the young age of the partnership portfolio, CalPERS adopted a short-term benchmark, the Venture Economics Custom Young Fund Universe. The benchmark measures performance of the AIM partnerships in the first five years of life against a similarly aged universe of Venture Economics data. As of March 31, 2008, the AIM young fund net internal rate of return ("IRR") was 15.5% which exceeded the estimate of the March 31, 2008 Custom Young Fund Universe median return of 4.4% by 1,100 basis points. The AIM Program is displaying solid returns for a young portfolio.

**AIM PROGRAM CUMULATIVE  
CASH FLOW SINCE INCEPTION**



**AIM PROGRAM CASH DISTRIBUTIONS  
SINCE INCEPTION**



## **Quarterly Reports**

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### **AIM Program Quarterly Report (cont.)**

#### **Portfolio Activity**

- 19 new commitments were authorized during the first quarter of 2008 for a total of \$4.8 billion.
- During the first quarter of 2008 the AIM Program received 92 proposals for new investment opportunities.
- During the first quarter of 2008, the AIM Program contributed \$2.6 billion to and received distributions of \$1.0 billion from the underlying portfolio. Of the \$1.0 billion in distributions, \$0.5 billion represents income and realized gains.

## Quarterly Reports

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### Proxy Voting Quarterly Report:

On a quarterly basis, staff provides a report on CalPERS' proxy voting results to the Investment Committee. This supplemental item provides detailed results on CalPERS' proxy votes for the period April 1, 2008 to June 30, 2008. Staff is delegated the authority and responsibility to execute all proxies and voting instructions in a manner that is consistent with the Board's Global Proxy Voting Principles.

Table 1 below provides a summary of CalPERS' internal proxy voting results for the period. Staff continues to update this table to provide the Committee with a 5-quarter rolling analysis of CalPERS' proxy voting results.

**Table 1: Summary of CalPERS proxy voting results**

Period	Approximate Number of Meetings Voted	Approximate Number of Individual Items Voted	Number of Shareowner Proposals Voted	Percent of Shareowner Proposals Supported
04/01/08 to 06/30/08	5,797	53,917	743	72%
01/01/08 to 03/31/08	1,042	6,695	46	67%
10/01/07 to 12/31/07	1,164	6,981	38	81%
07/01/07 to 09/30/07	1,107	7,341	48	90%
04/01/07 to 06/30/07	5,031	42,956	549	79%

**Source: Glass Lewis (Viewpoint)**

In addition to the summary above, we have prepared detailed reports of CalPERS' proxy votes cast during the period April 1, 2008 to June 30, 2008 as attachments for this item. Although the attachments are not included in the agenda materials due to their size, they may be requested through the Investment Committee Secretary.

**Attachment 1** contains the internal proxy voting decisions made in CalPERS' domestic portfolios and CalPERS' international portfolios, including staff's comments.



## Quarterly Reports

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### Proxy Voting Quarterly Report (cont.):

#### PROXY VOTING HIGHLIGHTS FOR THE DOMESTIC AND INTERNATIONAL PORTFOLIOS APRIL 1, 2008 to JUNE 30, 2008:

##### 1) Executive Compensation:

CalPERS voted **AGAINST** the following executive compensation plans (Table 2):

**Table 2: Votes AGAINST executive compensation plans**

Company	Meeting	Reason
Teledyne Technologies Inc.	4/22/08	The plan allows for reload stock options.
American Axle & Manufacturing Holdings	4/24/08	CalPERS believes the plan is too costly when compared to its peers.
Castle AM & Co.	4/24/08	CalPERS believes equity grants should have minimum vesting periods of at least 3 years.
Urban Outfitters Inc.	5/20/08	The plan allows for the repricing of stock options.
Petroquest Energy Inc.	6/13/08	The plan contains an evergreen provision.

## Quarterly Reports

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### Proxy Voting Quarterly Report (cont.):

#### 2) Shareowner proposals:

CalPERS voted **FOR** of the following shareowner proposals (Table 3):

**Table 3: Votes FOR of shareowner proposals**

Company	Meeting	Proposal	Reason
Bank of New York Mellon Corp.	4/8/08	Advisory Vote on Executive Compensation	CalPERS believes allowing an advisory vote on executive compensation will benefit shareowners and the company.
Lehman Brothers Inc.	4/15/08	Regarding Political Contributions Report	CalPERS believes the proposal poses no long-term harm to the company.
Newmont Mining Corp.	4/23/08	Majority Vote for Director Elections	CalPERS believes a majority of the proxies cast should be required to elect a director.
Invacare Corp.	5/21/08	Declassify the Board of Directors	CalPERS believes every director should be elected annually.
Aetna Inc.	5/30/08	Regarding Cumulative Voting	CalPERS believes shareowners should have the right to cumulate votes in the election of directors.
Wal-Mart Stores Inc.	6/6/08	Amend EEO Policy to Prohibit Discrimination	CalPERS is a firm supporter of best practices in the workplace.
Kroger Co.	6/25/08	Regarding a Product Toxicity Report	CalPERS believes the proposal poses no long-term harm to the company.

## Quarterly Reports

### Proxy Voting Quarterly Report (cont.):

CalPERS voted **AGAINST** the following shareowner proposals (Table 4):

**Table 4: Votes AGAINST shareowner proposals**

Company	Meeting	Proposal	Reason
United Technologies Corp.	4/9/08	Adopt Principles for Health Care Reform	CalPERS believes this proposal may be too restrictive and may pose long-term harm to the company.
Goldman Sachs Group Inc.	4/10/08	Regarding Stock Options	CalPERS is opposed to repricing stock options without shareowner approval. However, CalPERS believes eliminating the company's ability to grant stock options may be too restrictive.
Medco Health Solutions Inc.	5/22/08	Proposal to Limit Executive Compensation	CalPERS believes the proposal could unfairly restrict the company's ability to attract and retain competent executives and thereby cause long-term harm to the company.

### 3) Website votes:

The following is a sample of Website votes cast during the quarter (Table 5):

**Table 5: Website votes cast**

Company/Date	Issue	Vote	Reason
Coca Cola Co. 4/15/08	Advisory Vote on Executive Compensation	For	CalPERS believes allowing an advisory vote on executive compensation will benefit shareowners and the company.
American Express Co. 4/28/08	Eliminate Supermajority Requirements	For	CalPERS believes shareowner voting rights should not be subject to supermajority voting requirements.
CVS Caremark Corp. 5/6/08	Ability to Call Special Meetings	For	CalPERS believes shareowners should be able to call special meetings.
Ford Motor Co. 5/7/08	Long-Term Incentive Plan	Against	CalPERS believes Evergreen provisions should be prohibited.
Standard Pacific Corp. 5/8/08	Director Election	Against	Withhold from D. Jacobs and L. McNabb due to the company's stock price under performance and governance concerns. Standard Pacific is a 2008 Focus List company.

## Quarterly Reports

### Proxy Voting Quarterly Report (cont.):

#### 4) International Proxy Voting:

A sample of International votes cast **AGAINST** management during the quarter (Table 6):

**Table 6: International AGAINST votes cast**

Company	Country	Issue	Reason
EFG International 4/29/08	Switzerland	Director Election	Withhold from nominee J. Cuoni. The compensation committee should be composed of a majority of independent directors.
Amec PLC 5/14/08	United Kingdom	Appoint Auditor	CalPERS believes fees paid to the auditor for non-audit related services are excessive.
Deutsche Wohnen AG 6/17/08	Denmark	Stock Option Grants	Stock options should vest over a period of three years.
Eiffage 6/25/05	France	Amend Voting Rights	CalPERS is a firm supporter of the principle one-share one-vote.
Denki Kagaku Kogyo 6/27/08	Japan	Adoption of Takeover Defense Plan	CalPERS believes the implementation of Takeover Defenses is not in the best interest of shareowners.

#### 5) Proxy Contests

A sample of votes cast for contested meetings (Table 7):

**Table 7: Votes cast at contested meetings**

Company	Dissident	Dissident's Complaints	CalPERS Vote	Reason for the Vote
CSX Corp. 6/25/08	TCI Group	Poor operating performance, concern over the company safety record, and a board with little railroad experience.	Voted with management	CalPERS supported the current members of the board due to the strong stock performance of the company.

## Quarterly Reports

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### Proxy Voting Quarterly Report (cont.):

#### 6) Mergers & Acquisitions (Performance Reporting):

The following measures the performance of staff's vote recommendations on Mergers and Acquisitions within CalPERS' Top 300 Holdings (Table 8):

**Table 8: Vote recommendations on Mergers and Acquisitions**

Target	Acquirer	Vote	Vote Date	Active Return 1, 2, 3, 4
Unocal	Chevron	For	8/10/05	0.18%
Providian	Washington Mutual	For	8/31/05	-1.51%
PacifiCare	UnitedHealth	For	11/17/05	-2.11%
Maytag	Whirlpool	For	12/22/05	0.50%
WellChoice	WellPoint	For	12/28/05	-0.98%
Siebel	Oracle	For	1/31/06	1.73%
Jefferson-Pilot	Lincoln National	For	3/20/06	-0.55%
Albertsons	SuperValu	For	5/30/06	1.20%
BellSouth	AT&T	For	7/21/06	1.39%
Kerr-McGee	Anadarko	For	8/10/06	0.55%
Golden West	Wachovia	For	8/31/06	-2.75%
Lucent	Alcatel	For	9/7/06	-1.45%
Amsouth	Regions Financial	For	10/3/06	-1.83%
ICOS Corp.	Eli Lilly	For	1/25/07	-0.56%
McData	Brocade Communications	Against	1/25/07	-0.56%
Phelps Dodge	Freeport-McMoran	For	3/14/07	2.74%
Caremark	CVS. Corp.	Against	3/15/07	1.72%

## Quarterly Reports

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### Proxy Voting Quarterly Report (cont.):

**Table 8: Vote recommendations on Mergers and Acquisitions (cont.)**

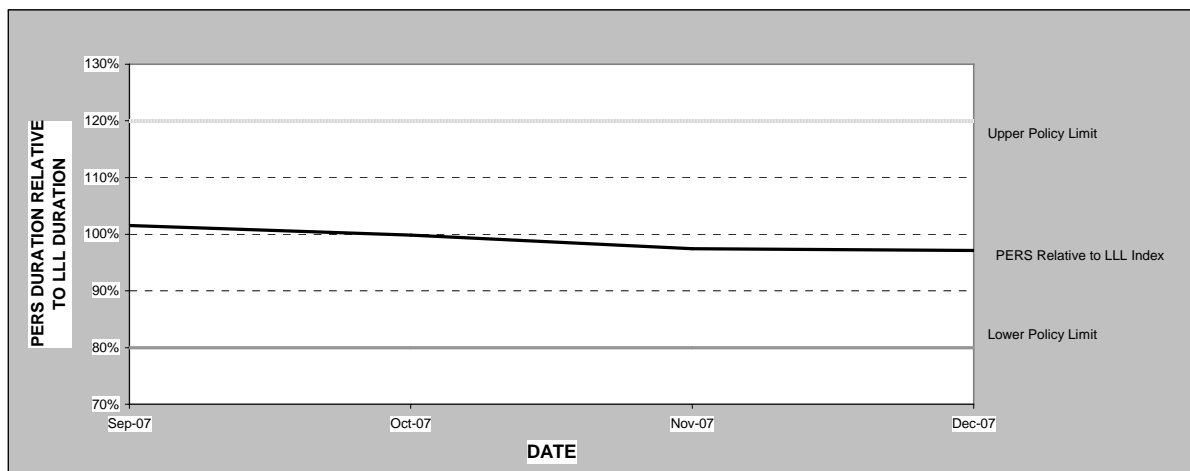
Target	Acquirer	Vote	Vote Date	Active Return 1, 2, 3, 4
Mellon Financial	Bank of New York	For	3/24/07	0.25%
GlobalSantaFe Corp.	Transocean	For	11/9/07	1.50%
JP Morgan	Bear Stearns	For	5/29/08	N/A
PORTFOLIO (value-weighted basis)			-0.54%	

- 1) Stock and portfolio excess returns are as of May 30, 2008 - the latest date for available control factors data.
- 2) Excess return is return after controlling for market, size, momentum and growth/value.
- 3) Excess returns are monthly excess returns.
- 4) N/A indicates that the regression could not be performed because there was only one observation at the

## Quarterly Reports

### Internally Managed Domestic Fixed Income Quarterly Report:

#### I. Interest Rate Risk



#### II. Sector Risk

SECTOR	PERMISSIBLE RANGE	LONG LIABILITY	9/30/07 PERS	12/31/07 PERS	3/31/08 PERS	6/30/08 PERS
Government	0-50	40	32	24	21	18
Mortgages	10-60	30	37	41	42	43
Sovereigns	0-15	3	2	2	2	2
Investment Grade						
Corporates	10-60	24	25	29	31	31
Opportunistic <sup>1</sup>	0-19	3	2	4	4	6

<sup>1</sup> High Yield

#### III. Violations to Policy: None

## Quarterly Reports

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### Internally Managed Short-Term Fund Quarterly Report:

#### I. Interest Rate Risk

The weighted-average days to maturity of the Short-Term Fund was 1 day.

#### II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	93.31%
U.S. Treasury and Agencies	100	0.0
Repurchase Agreements	20	0.0
Corporate Securities	100	6.69
Asset-Backed Securities	25	0.0
Total Short-Term Fund		<u>100.0%</u>

#### Credit Quality

Securities rated A1/P1 or higher	100%	93.31%
Total Split Rated and A2/P2	30	6.69
Total Short-Term Fund		<u>100.0%</u>

#### Other Restriction

Total Floating Rate Exposure	50%	0.0%
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#### III. Violations To Policy

None.



## Quarterly Reports

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### Internally Managed Dollar Denominated Limited Duration Funds (Short Duration) Quarterly Report:

#### I. Interest Rate Risk

The policy states that duration of the portfolio shall not exceed 180 days. The portfolio duration of the Short Duration Fund was 18 days.

#### II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	16.59%
AAA Structured Securities	100	41.80
Non AAA Structured Securities	50	22.57
ABL Line Item	100	15.67
Money Market Securities ( $\geq$ A1/P1)	100	0.00
Money Market Securities ( $<$ A1/P1)	25	3.37
Total Corporate Securities	50	0.00
Short Duration Fund		100.0%
<u>Credit Quality</u>		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	58.37%
Total Split Rated and A2/P2 (ST) or non-AAA (LT)	50	41.63
Short Duration Fund		100.0%
<u>Other Restriction</u>		
Total Fixed Rate Exposure ( $>$ 35 day maturity)	35%	0.00%

#### IV. Violations To Policy

None

## Quarterly Reports

### Internally Managed Dollar Denominated Limited Duration Funds (High Quality Libor) Quarterly Report:

#### I. Interest Rate Risk

The policy states that duration of the portfolio shall not exceed 90 days. The portfolio duration of the High Quality LIBOR Fund was 26 days.

#### II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
STIF Funds	100%	2.09%
AAA Floating Rate Structured Securities	100	97.91
AAA Fixed Rate Structured Securities	20	0.00
Money Market Securities ( $\geq$ A1/P1)	100	0.00
Money Market Securities ( $<$ A1/P1)	25	0.00
High Quality Libor Fund		100.0%
<u>Credit Quality</u>		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	100%
Total Split Rated and A2/P2 money market securities ( $>$ 1 day maturity)	25	
High Quality Libor Fund		100.0%
<u>Other Restriction</u>		
Total Fixed Rate Exposure ( $>$ 35 day maturity)	20%	0.00%

## Quarterly Reports

### Internally Managed Dollar Denominated Limited Duration Funds (High Quality Libor) Quarterly Report (cont.):

#### III. Violations To Policy

The following policy violations occurred this quarter:

On June 24, 2008, S&P downgraded the securities listed below.

Security	S&P Downgraded from	S&P Downgraded to	Current Face	% of HQL Portfolio	% of Limited Duration Portfolios
CWL_06-S6_A1	AAA	AA	26,858,483	0.17%	0.16%
CWL_06-S8_A1	AAA	AA	55,792,066	0.36%	0.32%
CWL_06-S10_A1	AAA	AA	11,174,008	0.07%	0.06%
CWL_07-S1_A1A	AAA	AA	65,743,078	0.42%	0.38%
COAFT_06-B A3B	AAA	AA	20,501,958	0.13%	0.12%
MSHLC_07-1_A	AAA	AA	41,961,718	0.27%	0.24%
OOMLT_07-FXD1_3A	AAA	AA	11,065,245	0.07%	0.06%
WASI_07_HE1_A	AAA	AA	12,834,478	0.08%	0.07%
<b>Total</b>			245,931,034	1.58%	1.42%

The downgrades were due primarily to the preceding downgrades of the monoline insurers for each security. Each downgrade triggered violation of the following issue: "MBS, CMBS, & ABS must be  $\geq$ AAA". Staff reviewed each security and determined that due to the performance of underlying collateral and the protection from the deal structure the securities provide good value for SDF portfolio given the current depressed level of price. The securities were sold at market value to SDF portfolio which accepts higher risks (the minimum SDF portfolio credit rating is BBB). This action brought HQL portfolio back in compliance.

## Quarterly Reports

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### Member Home Loans Program Quarterly Report:

For the quarter ended June 30, 2008, the CalPERS MHLP purchased approximately \$131.0 million of FNMA and GNMA securities. This represents a \$73.9 million decrease from the previous quarter total of \$204.9 million.

During the same period, the CalPERS MHLP also purchased \$11.1 million of jumbo whole loans. This represents a \$16.6 million decrease from the previous quarter total of \$27.7 million.

For the 12 month period July 1, 2007 through June 30, 2008, the MHLP purchased approximately 2,388 real estate loans totaling \$591.6 million.

## Quarterly Reports

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### Public Record Act Requests:

- In the quarter ending June 30, 2008, CalPERS received 1 (one) public record request related to Investments.
- Detailed reporting is contained in the supplemental reporting document.

### Real Estate Quarterly Report:

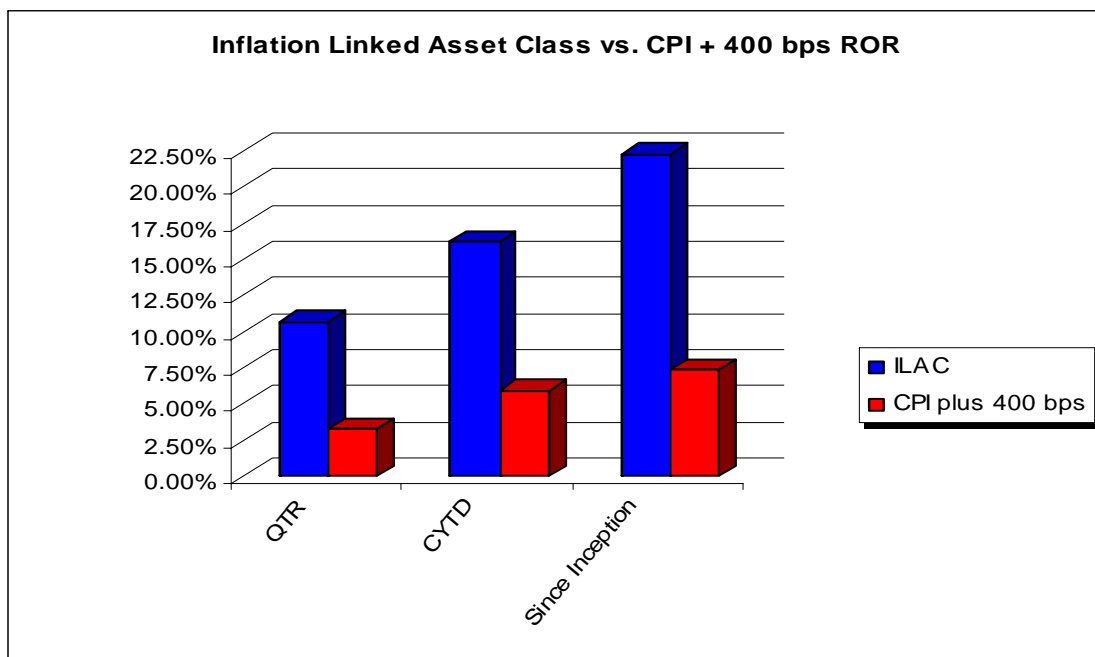
- **Total Portfolio Performance** – The one-year (as of March 31, 2008) total return for the Total Real Estate Portfolio was 7.8 percent before fees and 5.7 percent after fees. The nominal after fee total return (since inception) for the Total Real Estate Portfolio was 11.3 percent as of March 31, 2008, with the income component generating a 6.8 percent return and the appreciation component generating a 4.5 percent return.
- **Core Portfolio Performance** – The one-year (as of March 31, 2008) total return for the Core Portfolio was 20.8 percent before fees and 19.4 percent after fees. The nominal after fee total return (since inception) for the Core Portfolio was 11.3 percent as of March 31, 2008, with the income component generating a 7.4 percent return and the appreciation component generating a 3.8 percent return. The total before fee returns for the Apartment sector, which reflect the March 31, 2008 valuations, were 5.1 percent for the current quarter and 7.5 percent for the one-year as compared to the NCREIF Apartment Sector which reported a 1.3 percent current quarter return and a 9.6 percent one-year return.
- **Non-Core Portfolio Performance** – The one-year (as of March 31, 2008) total return for the Non-Core Portfolio was -4.3 percent before fees and -6.9 percent after fees. The nominal after fee total return (since inception) for the Non-Core Portfolio was 11.6 percent as of March 31, 2008, with the income component generating a 4.8 percent return and the appreciation component generating a 6.9 percent return. The Housing Program and the Non-Core REIT Composite are the two largest programs in the Non-Core Portfolio. The Housing Program generated a -1.6 percent before fee return for the current quarter and a -29.8 percent before fee return for the one-year period. Additionally, the REIT Composite generated a -6.3 percent before fee return for the current quarter and a -19.0 percent before fee return for the one-year period.
- **Comparison to Industry Benchmark** – The Total Real Estate Portfolio outperformed the NCREIF Detailed Property Index (Index) for all periods except the current quarter and one year. In addition, the Core Portfolio outperformed the Index for all periods. The Non-Core Portfolio outperformed the Index for all periods except the current quarter and one year. It should be noted that although the NCREIF Index is more directly comparable to the Core Portfolio, the Index is used as a benchmark for the Non-Core Portfolio as well.
- **Comparison to Real Rate of Return Benchmark** – Policy dictates that CalPERS' after fee real rate of return should reach 5 percent for the Core Portfolio and exceed 5 percent for the Non-Core Portfolio. The Core has exceeded the 5 percent real rate of return benchmark for all periods. The Non-Core and Total Portfolio exceeded the 5 percent real rate of return benchmark for all periods except the one year return.

## Quarterly Reports

### Inflation Linked Asset Class (ILAC) Quarterly Report:

#### Total Asset Class Performance Review

ILAC generated a Total Return of 10.04% for the quarter ended June 30, 2008. ILAC's return outperformed its policy benchmark by 681 basis points. The returns shown in the chart below are not annualized.



#### Portfolio Performance Review

The Commodities portfolios and Forestland partners' quarterly returns outperformed their respective benchmarks by 86 basis points and by 223 basis points for the quarter. The Inflation Linked Bond Portfolio and Infrastructure partners quarterly returns underperformed their respected benchmarks 13 basis points and by 487 basis point for the quarter.

## Investment Transactions

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Investment Transactions are reported to the Investment Committee for review under the requirements of California Government Code Section 20191. Information is provided in summary format in this consolidated document. Full reporting is available in the supplemental reporting document.

### **Portfolio Summary and Transactions Report:**

- Purchases – Internal Management (Page 33)
- Sales – Internal Management (Page 34)
- Currency Hedge Portfolio Summary (Page 35)
- Currency Hedge Portfolio Transactions (Page 35)

### **Investment Transaction Information:** (full reporting is available in the supplemental reporting document)

- Domestic Fixed Income Transactions
- International Fixed Income Transactions
- Domestic Equity Transactions
- International Equity Transactions
- AIM Program Transactions
  - Summary Listing of Capital Calls and Aggregate Distributions
- AIM Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - CVC European Equity Partners V LP, €500 million (\$736 million) commitment
    - Levine Leichtman Capital Partners IV LP, \$75 million commitment
    - Lime Rock Partners V LP, \$85 million commitment
    - TPG Biotechnology Partners III LP, \$100 million commitment
- Real Estate Equity Transactions
  - Dispositions Summaries
    - No Items to Report
  - Acquisitions Summaries
    - RREEF/CalSmart – Flair Tower, CalPERS equity share \$1,636,569.00
    - MacFarlane Partners – JBG Urban (JBGU), CalPERS equity share \$396,245,000.00
    - Bridge (BUILD) – Irvington Village II, CalPERS equity share \$14,244,000.00
- Real Estate Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Risk Managed Absolute Return Strategies Program Transactions
  - Summary Listing of Investments and Redemptions
- Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Inflation Linked Assets Transactions
  - Summary Listing of Investments and Redemptions
- Inflation Linked Assets Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report

## Investment Transactions

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**Investment Transaction Information (continued):** [\(full reporting is available in the supplemental reporting document\)](#)

- Corporate Governance Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- High Yield Performance
- Corporate Actions
- Internally Managed Derivative Transactions Summary
  - Investment Summaries
    - Futures purchases: \$2,205.2 million notional
    - Futures sales: \$2,248.2 million notional



## Portfolio Summary and Transactions

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### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

May 2008

#### PURCHASES

	<u>COST</u>	<u>%OF LONG TERM PURCHASES</u>
<b><u>EQUITIES:</u></b>		
Domestic	\$3,768.5	37.68%
International	<u>\$7,540.0</u>	<u>75.39%</u>
Total	\$11,308.5	113.07%
<b><u>FIXED INCOME:</u></b>		
Domestic	\$3,145.0	31.45%
International	<u>\$1,661.80</u>	<u>16.62%</u>
Total	\$4,806.8	48.06%
<b><u>ALTERNATIVE INVESTMENTS:</u></b>		
Partnership Component	\$463.7	4.64%
<b><u>INFLATION LINKED ASSETS:</u></b>		
Inflation Linked	\$961.9	9.62%
<hr/>		
<b>TOTAL PURCHASES:</b>	<b>\$10,000.9</b>	<b>100%</b>

## Portfolio Summary and Transactions

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### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

May 2008

#### SALES

	<u>COST</u>	<u>PROCEEDS</u>	<u>GAIN/ LOSS</u>
<b><u>EQUITIES:</u></b>			
Domestic	\$7,141.0	\$7,576.8	\$435.8
International	<u>\$2,847.2</u>	<u>\$3,044.1</u>	<u>\$196.9</u>
Total	\$9,988.2	\$10,620.9	\$632.7
<b><u>FIXED INCOME:</u></b>			
Domestic	\$3,835.5	\$3,807.1	-\$28.4
International	<u>\$1,778.20</u>	<u>\$1,825.20</u>	<u>\$47.00</u>
Total	\$5,613.7	\$5,632.3	\$18.6
<b><u>ALTERNATIVE INVESTMENTS:</u></b>			
Partnership Component	\$86.1	\$86.1	\$0.0
<b><u>INFLATION LINKED ASSETS:</u></b>			
Inflation Linked	\$721.7	\$722.5	\$0.8
<b>TOTAL SALES:</b>	<u><b>\$13,562.5</b></u>	<u><b>\$14,017.7</b></u>	<u><b>\$455.2</b></u>

## Portfolio Summary and Transactions

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### CURRENCY HEDGE PORTFOLIO SUMMARY

(\$ Millions)

May 2008

<u>PENDING FX CONTRACTS</u>	<u>COST</u>	<u>MARKET VALUE</u>
Total FX Purchased	\$7,788.7	\$7,767.0
Total FX Sold	\$11,311.5	\$11,230.5

### CURRENCY OPTIONS

Currency Puts	\$381,356.7	\$381,356.7
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"For FX purchased, a market value higher than book value means the contracts have an unrealized gain as of the valuation date. For FX sold, a market value lower than book value means the contracts have an unrealized gain as of the valuation date."

### CURRENCY HEDGE TRANSACTION SUMMARY

(\$ Millions)

May 2008

<u>PURCHASES</u>	<u>COST</u>
Pending FX Contracts	\$6,788.1

<u>SALES</u>	<u>PROCEEDS</u>
Pending FX Contracts	\$5,566.7

## Affiliate Funds Reports

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Staff has compiled the following Affiliate Funds Allocation Reports for the period ending June 30, 2008.

### Annuitants' Health Care Fund:

<u>Asset Class</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	58,910,894.22	11.19%	\$58,910,894.22	11.69%
DOMESTIC EQUITY	214,659,149.97	40.79%	\$199,190,938.77	39.54%
FIXED INCOME	116,399,524.90	22.12%	\$115,923,266.10	23.01%
INTERNATIONAL EQUITY	136,309,575.07	25.90%	\$129,769,659.03	25.76%
<b>TOTAL</b>	<u>\$526,279,144.16</u>		<u>\$503,794,758.12</u>	

### CalPERS Health Care Bond Fund:

<u>Asset Class</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
FIXED INCOME	\$ 356,739,512.70	100.00%	\$374,477,667.92	100.00%
<b>TOTAL</b>	<u>\$ 356,739,512.70</u>		<u>\$374,477,667.92</u>	

### Judges' Retirement Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$2,687,082.87	100.00%	\$2,687,082.87	100.00%
<b>TOTAL</b>	<u>\$2,687,082.87</u>		<u>\$2,687,082.87</u>	

## Affiliate Funds Reports

### Judges II Retirement Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$10,013,173.17	3.29%	\$10,013,173.17	3.14%
DOMESTIC EQUITY	\$124,805,148.68	41.00%	\$129,178,677.29	40.55%
FIXED INCOME	\$112,522,429.56	36.96%	\$117,855,377.96	37.00%
INTERNATIONAL EQUITY	\$57,078,145.08	18.75%	\$61,516,287.90	19.31%
TIPS	\$0.00	0.00%	\$0.00	0.00%
<b>TOTAL</b>	<u>\$304,418,896.49</u>		<u>\$318,563,516.32</u>	

### Legislators' Retirement Fund:

<u>Asset Class</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$6,459.94	0.01%	\$6,459.94	0.00%
DOMESTIC EQUITY	\$35,664,747.14	28.69%	\$38,317,162.28	28.59%
FIXED INCOME	\$69,386,665.04	55.83%	\$74,064,498.87	55.26%
INTERNATIONAL EQUITY	\$11,672,990.95	9.39%	\$12,914,009.04	9.64%
TIPS	\$7,559,769.64	6.08%	\$8,727,194.43	6.51%
<b>TOTAL</b>	<u>\$124,290,632.71</u>		<u>\$134,029,324.56</u>	

### Long Term Care Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$63,975.84	0.00%	\$63,975.84	0.00%
DOMESTIC EQUITY	\$703,249,268.02	32.73%	\$744,676,116.21	32.16%
FIXED INCOME	\$940,897,743.09	43.79%	\$1,011,465,303.50	43.68%
INTERNATIONAL EQUITY	\$402,077,921.19	18.71%	\$441,295,610.53	19.06%
TIPS	\$102,328,123.82	4.76%	\$117,901,047.91	5.09%
<b>TOTAL</b>	<u>\$2,148,617,031.96</u>		<u>\$2,315,402,053.99</u>	

## Affiliate Funds Reports

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### Public Employees' Medical & Hospital Care Act Contingency Reserve Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	\$5,994,493.92	100.00%	\$5,994,493.92	100.00%
<b>TOTAL</b>	<u>\$5,994,493.92</u>		<u>\$5,994,493.92</u>	

### Supplemental Contribution Fund:

<u>Asset</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Market Value</u>	<u>Percent of Portfolio</u>
CASH	202,046.11	1.14%	\$202,046.11	1.04%
DOMESTIC EQUITY	8,822,375.13	49.94%	\$9,798,874.78	50.54%
FIXED INCOME	5,300,421.49	30.01%	\$5,663,037.23	29.21%
INTERNATIONAL EQUITY	3,339,624.14	18.91%	\$3,724,591.11	19.21%
TIPS	0.00	0.00%	\$0.00	0.00%
<b>TOTAL</b>	<u>\$17,664,466.87</u>		<u>\$19,388,549.23</u>	